

# Management Discussion and Analysis

## MANAGEMENT DISCUSSION AND ANALYSIS

### Regional Market

The Group recorded a turnover of approximately HK\$359,576,000 for the year ended 31st March, 2007, an increase of 73% compared to the corresponding period last year of approximately HK\$208,281,000 (restated). The regional analysis for turnover was as follows: approximately HK\$308,795,000 (86%) was from Hong Kong and Mainland China (2006: approximately HK\$143,877,000 (restated) (69%)); approximately HK\$17,680,000 (5%) was from Japan (2006: approximately HK\$19,252,000 (9%)); approximately HK\$19,830,000 (6%) was from North America (2006: approximately HK\$24,172,000 (12%)) and approximately HK\$13,271,000 (3%) was from other regions (2006: approximately HK\$20,980,000 (10%)).

### Product Range

The ratio analysis for major product range accounting for the Group's turnover for the year ended 31st March, 2007 was as follows: approximately HK\$76,945,000 (21%) for trading in equity securities (2006: approximately HK\$44,600,000 (restated) (22%)); approximately HK\$56,919,000 (16%) for fur garments (2006: approximately HK\$71,155,000 (34%)) and approximately HK\$225,712,000 (63%) for fur skin trading (2006: approximately HK\$92,526,000 (44%)).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally derives cash for operation from internal cash flow and facilities from Hong Kong banks. As at 31st March, 2007, the Group had cash and bank balances of approximately HK\$29,648,000 (2006: HK\$24,537,000). As at 31st March, 2007, the Group's bank borrowings amounted to approximately HK\$110,982,000 (2006: bank borrowings amounted to HK\$95,836,000). The borrowings were on short term basis to fund the Group's working capital requirements. Shareholders' funds amounted to approximately HK\$327,351,000 (2006: HK\$280,349,000). Accordingly, the gearing ratio was 34% (2006: 34%).

## CAPITAL STRUCTURE

As at 31st March, 2007, the outstanding loans were on a floating rate and short term basis. Basically, except loans that were raised to hedge specific investments, certain loans were drawn down in foreign currencies. The currencies of general bank loans were mainly drawn down in United States Dollars or in Hong Kong Dollars. The combination of cash on hand, together with cash inflow from operation and current financial asset, should enable the Group to satisfy its debt repayment commitments and working capital requirements.

In respect of financial position, the Group continues to adopt a cautious policy. There are no long-term debts and the Group has sufficient funds for future business expansions and diversification in investments.

## CHARGES ON ASSETS

At the balance sheet date, the Group's banking facilities were secured by a corporate guarantee given by the Company and certain listed equity and quoted debt securities, leasehold land and buildings and certain investment properties of the Group.

Details of charges on assets of the Company and the Group during the year are sets out in note 27 to the financial statements.

## Management Discussion and Analysis (continued)

### **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS**

There were no material acquisition and disposal of subsidiaries and associates during the year ended 31st March, 2007.

Details of significant investment of the Group held as at 31st March, 2007 are set out in note 22 and note 25 to the financial statements.

### **FOREIGN EXCHANGE EXPOSURE**

The Group's businesses are mainly conducted in United States dollars and Renminbi, with minimal exposure to fluctuations in foreign exchanges.

### **EMPLOYEES**

As at 31st March, 2007, the Group employed around 25 employees in Hong Kong and Mainland China. The Group's remuneration policies are based primarily on the prevailing market wages and the performance of individual employees. Fringe benefits, including provident fund, Mandatory Provident Fund, medical benefits and training are provided. The Group has also established a discretionary bonus scheme for its management and staff with awards determined annually based upon the performance of the Group and individual employees.

### **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31st March, 2007.